Professional Certificate in Financial Therapy and Money Psychology

Introduction to Financial Therapy and Money Psychology

Introduction to Financial Therapy and Money Psychology Glossary

A

Asset: An asset is an economic resource that is expected to provide future benefits. Assets can be tangible (such as a house or car) or intangible (such as a stock or bond).

B

Behavioral Finance: Behavioral finance is a field that combines insights from psychology with traditional finance theory to understand how individuals make financial decisions.

C

Cognitive Bias: A cognitive bias is a systematic pattern of deviation from norm or rationality in judgment, whereby inferences about other people and situations may be drawn in an illogical fashion.

Credit Score: A credit score is a numerical expression based on a level analysis of a person's credit files, to represent the creditworthiness of an individual. A credit score is primarily based on a credit report, information typically sourced from credit bureaus.

D

Debt: Debt is an amount of money borrowed by one party from another. Debt is used by many corporations and individuals as a method of making large purchases that they could not afford under normal circumstances.

E

Emotional Intelligence: Emotional intelligence is the capability of individuals to recognize their own emotions and those of others, discern between different feelings and label them appropriately, use emotional information to guide thinking and behavior, and manage and/or adjust emotions to adapt to environments or achieve one's goal(s).

Expense: An expense is the cost incurred in the course of doing business.

F

Financial Literacy: Financial literacy is the education and understanding of various financial areas including topics related to managing personal finance, money and investing.

Financial Therapy: Financial therapy is a process that integrates cognitive, emotional, behavioral, relational, and financial aspects to help people reduce financial stress and anxiety, improve financial communication and decision-making, and achieve financial well-being.

G

Goal setting: Goal setting involves establishing specific, measurable, achievable, relevant, and time-bound objectives that an individual or organization aims to achieve.

H

Herding Behavior: Herding behavior is the phenomenon where individuals mimic the actions of a larger group, even when those actions may not be in their best interest.

I

Income: Income is money that an individual or business receives in exchange for providing a good or service or through investing capital.

Investment: Investment is the act of allocating resources, usually money, with the expectation of generating an income or profit.

J

Joint Finances: Joint finances refer to financial resources and obligations shared by two or more individuals, typically a couple or family.

K

Key Performance Indicators (KPIs): Key performance indicators are a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals.

L

Liability: A liability is defined as a company's legal financial debts or obligations that arise during the course of business operations.

M

Money Psychology: Money psychology is the study of how people's beliefs, attitudes, and emotions about money influence their financial behavior and decision-making.

N

Net Worth: Net worth is the value of all assets, minus the total of all liabilities. Put another way, net worth is what is owned minus what is owed.

O

Overdraft: An overdraft is an extension of credit from a lending institution when an account reaches zero. An overdraft allows the individual to continue withdrawing money even if the account has no funds in it or not enough to cover the withdrawal.

P

Psychological Pricing: Psychological pricing is a pricing/marketing strategy based on the theory that certain prices have a psychological impact.

Q

Quantitative Easing: Quantitative easing is a monetary policy in which a central bank purchases government securities or other securities from the market to lower interest rates and increase the money supply.

R

Retirement Planning: Retirement planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals.

S

Savings: Savings is the money left over after spending. Savings can be used to increase income through investing.

T

Tax Planning: Tax planning is the analysis of a financial situation or plan from a tax perspective. The purpose of tax planning is to ensure tax efficiency.

U

Underwriting: Underwriting is the process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing either equity or debt securities.

V

Value Investing: Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.

W

Wealth Management: Wealth management is an investment advisory service that combines other financial services to address the needs of affluent clients.

X

XIRR (Extended Internal Rate of Return): XIRR is a function in Excel that returns the internal rate of return for a series of cash flows that occur at irregular intervals.

Y

Yield Curve: The yield curve is a graphical representation of the interest rates on debt for a range of maturities.

Z

Zero-Based Budgeting: Zero-based budgeting is a budgeting method where all expenses must be justified for each new period. The process starts from a "zero base," and every function within an organization is analyzed for its needs and costs.

Introduction to Financial Therapy and Money Psychology Glossary

Financial therapy and money psychology are interdisciplinary fields that combine financial planning, counseling, and psychology to help individuals and couples understand and improve their relationship with money. This glossary provides a comprehensive list of terms commonly used in the Professional Certificate in Financial Therapy and Money Psychology course.

A

1. Abundance mindset: A belief system that focuses on the positive aspects of money and wealth, emphasizing gratitude and a sense of having more than enough resources to meet one's needs.

2. Asset: Anything of value that an individual or business owns or controls, which can be converted into cash.

3. Attitude: A psychological construct that represents an individual's feelings and beliefs about money, which can influence financial decisions and behaviors.

4. Automatic thoughts: Unconscious or reflexive thoughts that individuals have about money, often based on past experiences or beliefs.

B

5. Behavioral finance: A field of study that combines behavioral psychology with financial theory to understand how emotions and cognitive biases influence financial decisions.

6. Budget: A financial plan that outlines an individual's or family's expected income and expenses over a specific period, typically on a monthly or annual basis.

7. Burn rate: The rate at which an individual spends or consumes their financial resources, often used to calculate how long one's savings will last.

8. Behavioral economics: A branch of economics that studies how psychological factors impact economic decision-making, focusing on cognitive biases and heuristics.

C

9. Capital: Financial assets or resources that can be used to generate income or wealth, such as savings, investments, and property.

10. Cognitive dissonance: The psychological discomfort that arises from holding conflicting beliefs or values about money, leading individuals to justify or rationalize their financial decisions.

11. Credit score: A numerical representation of an individual's creditworthiness, based on their credit history, debt levels, and payment behavior.

12. Coaching: A collaborative process between a financial therapist or counselor and a client to set and achieve financial goals, improve money management skills, and develop healthier financial habits.

D

13. Debt: Money owed to creditors or lenders, typically incurred through loans, credit cards, or mortgages.

14. Diversification: A risk management strategy that involves spreading investments across different asset classes, industries, and regions to reduce exposure to any single risk.

15. Decision-making: The process of selecting a course of action from multiple alternatives, influenced by cognitive biases, emotions, and past experiences.

16. Discretionary income: The amount of money left over after essential expenses (e.g., housing, food, utilities) have been paid, which can be used for non-essential purchases or savings.

E

17. Emotional intelligence: The ability to recognize and manage one's emotions, as well as understand and empathize with the emotions of others, which can impact financial decision-making.

18. Emergency fund: A reserve of cash set aside to cover unexpected expenses or financial emergencies, typically equivalent to three to six months' worth of living expenses.

19. Enneagram: A personality typology system that categorizes individuals into nine different personality types, each with distinct motivations, behaviors, and attitudes toward money.

20. Equity: The value of an asset after subtracting any liabilities or debts associated with it, often used to measure the ownership stake in a property or investment.

F

21. Financial planner: A professional who helps individuals and families create comprehensive financial plans, including budgeting, investing, retirement planning, and risk management.

22. Financial therapy: An emerging field that integrates financial planning with therapeutic techniques to help individuals and couples address money-related issues, such as overspending, financial infidelity, and money conflicts.

23. Fixed expenses: Essential expenses that remain constant each month, such as rent, mortgage payments, insurance premiums, and loan repayments.

24. Fear of missing out (FOMO): A psychological phenomenon where individuals feel anxious or insecure about missing out on opportunities, leading to impulsive or irrational financial decisions.

G

25. Goals: Desired outcomes or objectives that individuals set for themselves, often related to financial milestones, such as saving for retirement, buying a home, or paying off debt.

26. Gamification: The use of game design elements and principles in non-game contexts, such as financial education or behavior change, to engage and motivate individuals.

27. Group dynamics: The interactions and relationships that occur within a group setting, influencing how individuals communicate, collaborate, and make decisions about money.

28. Gratitude: A positive emotion or attitude of appreciation for one's blessings, resources, or opportunities, which can enhance overall well-being and financial satisfaction.

H

29. Heuristics: Mental shortcuts or rules of thumb that individuals use to make quick decisions or judgments about money, often leading to cognitive biases and errors.

30. Holistic approach: An integrated approach that considers the interconnectedness of an individual's physical, mental, emotional, and financial well-being, emphasizing a comprehensive view of wealth and prosperity.

31. Homeostasis: The tendency of individuals to maintain stability or equilibrium in their financial behaviors and habits, resisting change or disruption to their comfort zone.

32. Herding behavior: The tendency of individuals to follow the crowd or group consensus when making financial decisions, often influenced by social norms or peer pressure.

I

33. Income: Money earned from employment, investments, rental properties, or other sources, which individuals use to meet their expenses, save, invest, and achieve financial goals.

34. Impulse buying: The act of making unplanned or spontaneous purchases without careful consideration or intention, often driven by emotions, marketing tactics, or social influences.

35. Internal locus of control: A psychological belief that individuals have the power to influence their own outcomes or destiny, which can impact financial attitudes, behaviors, and goals.

36. Investment: The purchase of financial assets, such as stocks, bonds, real estate, or mutual funds, with the expectation of generating income or capital gains over time.

J

37. Joint accounts: Financial accounts held by two or more individuals, such as spouses or partners, who share ownership and responsibility for managing the funds together.

38. Joyful spending: A concept that encourages individuals to allocate money toward experiences, purchases, or activities that bring joy, fulfillment, and meaning to their lives, promoting overall well-being.

39. Judgment: The process of forming opinions or evaluations about financial decisions, behaviors, or situations, which can be influenced by biases, values, and emotions.

40. Journey: The ongoing process of personal growth, self-discovery, and transformation that individuals experience as they navigate their financial lives, overcoming challenges and achieving milestones.

K

41. Key performance indicators (KPIs): Quantifiable metrics or measures used to assess an individual's or organization's financial performance, progress toward goals, and success in managing money.

42. Kinesthetic learning: A learning style that involves physical movement, touch, and hands-on experiences to enhance understanding and retention of financial concepts, strategies, and skills.

43. Knowledge: Information, facts, or skills that individuals acquire through education, training, or experience, which can empower them to make informed financial decisions and manage their money effectively.

44. Kids and money: The intersection of children's development, financial education, and parenting practices, focusing on how families teach, model, and talk about money with their children.

L

45. Lifestyle inflation: The tendency of individuals to increase their spending as their income rises, leading to higher expenses, lower savings, and reduced financial security over time.

46. Loss aversion: A cognitive bias where individuals feel the pain of losses more strongly than the pleasure of gains, influencing their risk tolerance, investment decisions, and financial behaviors.

47. Love and money: The complex and intertwined relationship between romantic partners, spouses, or family members when it comes to managing finances, sharing resources, and navigating financial challenges.

48. Limiting beliefs: Negative or self-defeating beliefs that individuals hold about money, success, or worthiness, which can hinder their financial growth, confidence, and well-being.

M

49. Money scripts: Unconscious beliefs or narratives that individuals have about money, often inherited from childhood experiences, family dynamics, or societal influences, shaping their financial attitudes and behaviors.

50. Mindfulness: The practice of being present, aware, and non-judgmental of one's thoughts, emotions, and behaviors related to money, which can promote greater financial clarity, intentionality, and well-being.

51. Money personality: An individual's unique set of attitudes, behaviors, and traits related to money, such as spender, saver, risk-taker, avoider, which influences their financial decisions and relationships.

52. Money mindset: An individual's overarching beliefs, values, and attitudes toward money, wealth, and

abundance, which shape their financial goals, behaviors, and outcomes.

N

53. Needs versus wants: A distinction between essential expenses required for survival (needs) and discretionary purchases or desires (wants) that individuals can choose to prioritize or forgo based on their values and priorities.

54. Net worth: The difference between an individual's assets (e.g., savings, investments, property) and liabilities (e.g., debts, loans, mortgages), representing their overall financial position or wealth.

55. Normalization: The process of making financial conversations, behaviors, or experiences more commonplace, transparent, and destigmatized, encouraging open dialogue and support around money issues.

56. Narrative therapy: A therapeutic approach that focuses on the stories, meanings, and interpretations individuals create about their financial experiences, helping them reframe or reshape their money narratives.

O

57. Opportunity cost: The potential benefit or value that individuals forego by choosing one option over another, highlighting the trade-offs and decisions involved in allocating limited resources, such as time, money, or energy.

58. Overdraft: A financial transaction where individuals spend more money than is available in their bank account, leading to a negative balance and potential fees or penalties from the financial institution.

59. Optimism bias: A cognitive bias where individuals believe that they are less likely to experience negative events or outcomes compared to others, influencing their risk perception, financial decisions, and planning.

60. Ownership: A sense of control, responsibility, and agency that individuals feel toward their financial resources, investments, and decisions, shaping their relationship with money and wealth.

P

61. Psychology of money: The study of how individuals think, feel, and behave in relation to money, exploring the cognitive, emotional, and behavioral factors that influence financial decisions and well-being.

62. Positive psychology: A branch of psychology that focuses on human strengths, virtues, and well-being, emphasizing the importance of positive emotions, relationships, and experiences in shaping financial satisfaction and success.

63. Perfectionism: A personality trait characterized by setting excessively high standards, self-criticism, and

fear of failure, which can impact financial behaviors, decision-making, and overall well-being.

64. Power dynamics: The unequal distribution of influence, control, or authority in financial relationships, such as between partners, family members, or financial professionals, which can impact decision-making and communication.

Q

65. Quantitative easing: A monetary policy tool used by central banks to stimulate the economy by increasing the money supply, lowering interest rates, and promoting lending and investment.

66. Quality of life: A subjective measure of an individual's overall well-being, happiness, and satisfaction with their financial, social, and personal circumstances, reflecting their values, goals, and priorities.

67. Questioning assumptions: A critical thinking skill that involves challenging, examining, and reevaluating one's beliefs, values, or attitudes about money, wealth, and success, to promote self-awareness and growth.

68. Quiet money: A term used to describe hidden or undisclosed financial information, assets, or behaviors that individuals keep private, often due to shame, guilt, or fear of judgment.

R

69. Retirement planning: The process of setting financial goals, creating a savings strategy, and evaluating investment options to ensure a comfortable and secure retirement, considering factors such as age, income, expenses, and risk tolerance.

70. Relationship dynamics: The patterns of communication, trust, conflict, and cooperation that occur within financial relationships, influencing how individuals navigate money issues, decisions, and goals together.

71. Risk tolerance: An individual's willingness and capacity to accept uncertainty, volatility, and potential losses in their investments or financial decisions, based on their goals, time horizon, and comfort level.

72. Resilience: The ability to adapt, cope, and recover from financial setbacks, challenges, or stressors, demonstrating flexibility, resourcefulness, and perseverance in managing money and overcoming obstacles.

S

73. Saving: The act of setting aside money for future use, emergencies, or financial goals, to build a safety net, achieve financial independence, and create a buffer against unexpected expenses.

74. Self-care: Practices and activities that individuals engage in to promote their physical, mental, emotional, and financial well-being, such as exercise, meditation, therapy, or financial planning.

75. Scarcity mindset: A belief system that focuses on the limitations, shortages, or lack of resources, leading individuals to feel anxious, competitive, or fearful about money and opportunities.

76. Social comparison: The process of evaluating one's wealth, success, or status relative to others, which can lead to envy, insecurity, or dissatisfaction with one's financial situation or achievements.

T

77. Time value of money: A financial principle that states that a dollar received today is worth more than a dollar received in the future, due to the potential to invest, earn interest, or grow the money over time.

78. Therapeutic alliance: The collaborative and trusting relationship between a client and a therapist, counselor, or financial professional, based on empathy, respect, and shared goals for personal growth and healing.

79. Transactional analysis: A psychological theory that analyzes communication, relationships, and behavior patterns within social interactions, focusing on ego states (parent, adult, child) and transactional dynamics.

80. Trust: A fundamental element of financial relationships, built on honesty, transparency, reliability, and integrity, which can enhance communication, cooperation, and mutual respect between individuals.

U

81. Understanding money: The knowledge, skills, and attitudes that individuals develop to navigate the complexities of personal finance, such as budgeting, investing, debt management, and financial planning.

82. Unconscious beliefs: Deep-seated, automatic, or hidden beliefs that individuals hold about money, success, or worthiness, which can influence their financial decisions, habits, and outcomes without their awareness.

83. Unmet needs: Emotional, psychological, or social needs that individuals have not addressed or fulfilled, which can manifest in financial behaviors, such as overspending, hoarding, or seeking validation through money.

84. Values: Core principles, beliefs, or standards that individuals hold dear and use to guide their choices, priorities, and decisions in all areas of life, including money, relationships, and personal development.

V

85. Vision board: A visual representation of an individual's goals, dreams, and aspirations, created through images, words, and symbols, to inspire motivation, focus, and intentionality in pursuing their desired future.

86. Volatility: The degree of variation or fluctuation in the value of financial assets, such as stocks, bonds, or

cryptocurrencies, which can impact investment returns, risk exposure, and portfolio performance.

87. Values-based spending: A financial approach that aligns individual spending habits with their core values, priorities, and goals, emphasizing intentional, mindful, and purposeful consumption of resources.

88. Vulnerability: The willingness to be open, honest, and authentic about one's emotions, experiences, and struggles with money, which can foster trust, connection, and growth in relationships.

W

89. Wealth mindset: A belief system that focuses on abundance, prosperity, and success, encouraging individuals to adopt positive attitudes, habits, and behaviors toward money, wealth creation, and financial well-being.

90. Well-being: A holistic measure of an individual's physical, mental, emotional, and financial health, reflecting their overall quality of life, happiness, and satisfaction with their circumstances and choices.

91. Wise mind: A concept from dialectical behavior therapy that combines rational thinking (logical mind) with emotional insight (emotional mind) to make balanced, informed decisions about money, relationships, and life.

92. Work-life balance: The equilibrium or harmony individuals seek between their professional responsibilities, personal pursuits, and financial goals, prioritizing well-being, fulfillment, and sustainability in their daily lives.

X

93. Xenophobia: A fear or aversion toward unfamiliar or foreign concepts, ideas, or practices related to money, wealth, or financial systems, which can lead to bias, discrimination, or closed-mindedness.

94. X-factor: A mysterious or int